

1 WILLIAM L. ANTHONY, JR. (State Bar No. 106908)
wanthony@orrick.com
2 MATTHEW H. POPPE (State Bar No. 177854)
mpoppe@orrick.com
3 ZHENG LIU (State Bar No. 229311)
jenliu@orrick.com
4 ORRICK, HERRINGTON & SUTCLIFFE LLP
1000 Marsh Road
5 Menlo Park, California 94025
Telephone: +1-650-614-7400
6 Facsimile: +1-650-614-7401

7 Attorneys for Defendant
8 VARIAN MEDICAL SYSTEMS, INC.

9
10 UNITED STATES DISTRICT COURT
11 NORTHERN DISTRICT OF CALIFORNIA
12 SAN FRANCISCO DIVISION

13 UNIVERSITY OF PITTSBURGH OF THE
14 COMMONWEALTH SYSTEM OF HIGHER
15 EDUCATION d/b/a UNIVERSITY OF
16 PITTSBURGH, a Pennsylvania non-profit
corporation (educational),

17 Plaintiff,

18 v.

19 VARIAN MEDICAL SYSTEMS, INC., a
Delaware corporation,

20 Defendant.
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Case No. CV 08-02973 MMC

**DEFENDANT VARIAN MEDICAL
SYSTEMS, INC.'S REPLY
MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
MOTION TO DISMISS PLAINTIFF'S
CLAIMS PURSUANT TO FED. R.
CIV. P. 12(B)(6) BASED ON
DOCTRINE OF RES JUDICATA**

Date: September 5, 2008
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Courtroom: 7, 19th Floor

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1 **I. INTRODUCTION**

2 In its opposition brief, UPitt provided a blatantly erroneous description of the basis for the
3 dismissal in the Pennsylvania case, the intended scope and effect of that dismissal, and the law of
4 res judicata as it applies to the facts of this case. Varian will highlight several key points here that
5 will be discussed more fully below.

6 First, it cannot be doubted that the Pennsylvania Court *intended* that its judgment “with
7 prejudice” have the effect of barring all further litigation between the parties based on alleged
8 infringement of the patents-in-suit. The special master had proposed allowing UPitt to do exactly
9 what it has done here, *i.e.*, file a new complaint naming all necessary parties. The Pennsylvania
10 Court clearly had the power and authority to do so, based on controlling precedent and UPitt’s
11 representations that its co-owner, CMU, was willing to be added as a party. However, after
12 carefully considering the issue, the Pennsylvania Court rejected the recommendation of the
13 special master and dismissed the case with prejudice. It also rejected a subsequent, last-ditch
14 effort by UPitt to obtain a dismissal without prejudice in reliance on the same arguments UPitt
15 asserts here. UPitt itself does not doubt the Pennsylvania Court’s intent, having stated in its
16 opposition to Varian’s pending Motion to Transfer that it believes the Pennsylvania Court would
17 dismiss this case on res judicata grounds.

18 Second, if UPitt disagrees with the Pennsylvania Court’s decision to dismiss the prior case
19 with prejudice, the proper forum for UPitt’s challenge is the Court of Appeals. Indeed, UPitt has
20 filed an appeal from the judgment entered by the Pennsylvania Court and has stated its intent to
21 raise the dismissal “with prejudice” as an issue on appeal. UPitt should not be permitted to raise a
22 simultaneous collateral attack on the prior judgment via this lawsuit. Doing so has merely raised
23 the prospect of having two identical patent infringement lawsuits proceed in two different courts
24 at the same time (if the Federal Circuit reverses the judgment in the Pennsylvania case)—a point
25 UPitt does not dispute.

26 Third, any challenge to the Pennsylvania Court’s decision to dismiss the prior case with
27 prejudice or to the res judicata impact of that decision should fail. UPitt’s challenge is based on
28 misstating the basis for the dismissal. The Pennsylvania Court did not dismiss the prior case for

1 failure to add a party pursuant to Rule 19. As noted by UPitt in its opposition brief, a case may be
 2 dismissed under Rule 19 only if “a person who is required to be joined . . . cannot be joined.”
 3 Here, CMU could have been joined—as previously argued by UPitt—because CMU was within
 4 the jurisdiction of the Pennsylvania Court and was willing to be joined. The Pennsylvania Court
 5 refused to join CMU and dismissed the case with prejudice for reasons totally unrelated to Rule
 6 19. Nor was the case dismissed for lack of jurisdiction. Rather, it was dismissed due to UPitt’s
 7 bad faith and lack of diligence, its failure to comply with court orders, its prior insistence that
 8 Varian be held to a strict timeliness standard, and the prejudice Varian would have suffered had
 9 CMU been added so late. Thus, giving res judicata effect to the dismissal with prejudice is both
 10 required and in accordance with Rule 41(b) and the policies underlying res judicata.

11 **II. ARGUMENT**

12 **A. UPitt Concedes the Existence of Several Elements of a Res Judicata Defense**

13 In its opposition brief, UPitt does not dispute that the following elements of a res judicata
 14 defense are present in this case:

- 15 1. The claims are exactly the same as in the Pennsylvania case.
- 16 2. The parties are exactly the same as in the Pennsylvania case.
- 17 3. A final judgment was entered in the Pennsylvania case.

18 See Varian’s Opening Brf. at 6-7 (stating elements of res judicata defense). UPitt also does not
 19 dispute that a res judicata defense may be raised by a motion to dismiss under Rule 12(b)(6) or
 20 that the Court may take judicial notice of the pleadings and orders in the prior case in connection
 21 with ruling on such a motion. UPitt’s only basis for disputing the application of res judicata here
 22 is its argument that the final judgment in the prior action was not “on the merits.”

23 **B. The Judgment in the Pennsylvania Case Was “on the Merits” and Is Entitled** 24 **to Res Judicata Effect**

25 **1. The Pennsylvania Court Intended That Its Dismissal Preclude Further** 26 **Litigation Between the Parties Related to the Patents-in-Suit**

26 The Pennsylvania Court clearly intended that its dismissal of the prior case have
 27 preclusive effect. This new action is not a proper vehicle for challenging that decision. Such a
 28 challenge by UPitt should instead be confined to the pending appeal that involves the same issue.

1 There can be no doubt about the Pennsylvania Court's intent when it dismissed the prior
 2 case with prejudice. UPitt itself stated in its opposition to Varian's pending Motion to Transfer
 3 that the Pennsylvania Court "has said it will not entertain the claims." *See* Document No. 33 at 7;
 4 *see also id.* ("In the Pennsylvania Litigation, and over UPitt's objections, the Western District of
 5 Pennsylvania dismissed UPitt's case 'with prejudice.' The District Court in Pennsylvania thus
 6 has, at a minimum, suggested that it would refuse to permit refiling in that Court.").

7 The course of events in the Pennsylvania case bears out UPitt's understanding of the
 8 intended effect of the dismissal with prejudice. Had the Pennsylvania Court wanted to permit
 9 future litigation between the parties, it would have simply adopted the recommendation of the
 10 special master in its entirety. The special master recommended that Varian's summary judgment
 11 motion be granted "without prejudice to UPitt to file an amended complaint . . . in which CMU is
 12 added as a party plaintiff" *See* RJN, Ex. G at 10. He based his recommendation in part on
 13 "the apparent willingness of CMU to join the action, and the fact that CMU is subject to the
 14 jurisdiction of the Court." *Id.*¹ UPitt has essentially done what the special master recommended,
 15 except instead of filing a new complaint with CMU as an added party it filed a new complaint
 16 after purportedly acquiring CMU's patent rights.

17 The Pennsylvania Court rejected that part of the special master's recommendation,
 18 however. After determining that Varian's motion for summary judgment should be granted, it
 19 turned to the separate question of "whether the dismissal should be with or without prejudice."
 20 *See id.*, Ex. H at 3. It first found that all co-owners generally should be included as plaintiffs at
 21 the inception of a case. *See id.* at 3-4. It then ruled that UPitt would not be allowed to add CMU
 22 as a party or proceed further against Varian—despite CMU's willingness and availability to be
 23 joined—because of the special circumstances of the case, namely:

24
 25 ¹ As UPitt has argued, "[t]he Court could . . . have joined CMU to the [Pennsylvania] action."
 26 *See* Reply Request for Judicial Notice in Support of Defendant Varian Medical Systems, Inc.'s
 27 Motion to Dismiss Plaintiff's Claims Pursuant to Fed. R. Civ. P. 12(b)(6) Based on Doctrine of
 28 Res Judicata, filed herewith, Ex. A at 3 fn. 3 (citing *Abbott Labs. v. Ortho Diagnostic Sys., Inc.*,
 47 F.3d 1128, 1133-34 (Fed. Cir. 1995), and *Mentor H/S, Inc. v. Medical Device Alliance, Inc.*,
 340 F.3d 1016, 1019 (Fed. Cir. 2001)).

1. UPitt knew it should have acted earlier: “Plaintiff obviously knew of CMU’s existence and its residual rights in the patents-in-suit, and chose not to join CMU, at the inception of this case.” *Id.* at 4-5.
2. UPitt’s request to add a party was made in bad faith: “Whether plaintiff’s very sophisticated patent counsel made this tactical decision not to join CMU in order to make discovery of CMU as a non-party more difficult for defendant, or for some other tactical reason, the Court does not know.” *Id.* at 5.
3. UPitt’s untimely request was in violation of a court order: “[T]he Court denied [UPitt’s] Motion [to join CMU as a party] pursuant to the June 4, 2007 Case Management Order . . . because said Motion was untimely in that new parties were to be added approximately 6 months earlier, by June 15, 2007, and discovery previously had closed on October 5, 2007, except for specific limited discovery.” *Id.* at 2; *see also id.*, Ex. C at ¶ 4 (relevant provision of Case Management Order).
4. UPitt’s request was inconsistent with its prior insistence that Varian be held to a strict timeliness standard: “Importantly, this denial [of UPitt’s motion to join CMU as a party] . . . was consistent with the ruling of the Court denying, as untimely, defendant’s Motion to Amend Answer . . . to add an affirmative defense and counterclaim of inequitable conduct. . . . Although plaintiff vigorously and successfully opposed this motion of defendant as untimely, plaintiff sought to add a new party (CMU) in a more untimely manner.” *Id.*, Ex. H at 2.
5. UPitt’s delay was prejudicial to Varian: “[P]laintiff’s argument that since some discovery has been conducted relating to CMU, CMU can be added as a party, and the case can simply proceed, is not credible, as any review of the docket will establish. The request to add CMU was untimely and unfair to defendant on December 5, 2007 . . . , and it is even more so now four (4) months later.” *Id.* at 5. “Defendant continues to oppose the untimely addition of non-party CMU to the litigation, including because of the additional expense of the litigation to deal with the CMU discovery and other issues The Court agrees.” *Id.* at 5 fn. 5.

Varian also presented evidence that UPitt not only knew about CMU’s patent rights at the outset of the case but misled Varian and the Court about that fact by making false statements regarding patent ownership in its Complaint and interrogatory responses. *See id.*, Ex. K at 6; Ex. A at ¶ 5; Ex. L at Ex. A, pp. 2-3; Ex. L at Ex. B, pp. 2-5.

UPitt did not accept the summary judgment ruling lying down. On May 15, 2008, it filed a Motion Requesting Entry of Judgment in which it took issue with the Pennsylvania Court’s decision to dismiss its claims with prejudice and urged a change to dismissal without prejudice. In so doing, UPitt relied on some of the same arguments on which its present opposition is based:

Regarding the disposition of this action, the dismissal for lack of standing is not on the merits of the case. *See Fed. R. Civ. P. 41(b); Korvettes, Inc. v. Brous*, 617 F.2d 1021, 1024 (3d Cir. 1980) (“A dismissal for lack of jurisdiction is plainly not a determination of the merits of a claim.”). Additionally, UPitt respectfully disagrees with the Court’s dismissing the action *with prejudice*. Rather, the dismissal should be *without prejudice*.

1 *See Korvettes*, 617 F.2d at 1024 (“Ordinarily, such a dismissal is ‘without
2 prejudice.’”); *see, also, H.R. Techs., Inc.*, 275 F.3d at 1385.

3 *Id.*, Ex. O at 3-4 (emphasis in original); *see also* Reply RJN,² Ex. A at 2-3 (adding that dismissal
4 with prejudice was inappropriate because UPitt allegedly could have cured the standing defect).
5 UPitt submitted a proposed order that provided for dismissal without prejudice. *See* RJN, Ex. O
6 at 4; *see also id.*, Ex. O at Ex. A, ¶ 1. The Pennsylvania Court rejected UPitt’s proposed order
7 and entered judgment dismissing UPitt’s claims with prejudice. *See id.*, Ex. P at 1 & fn. 1.

8 Thus, the Pennsylvania Court made a conscious and reasoned decision to dismiss the prior
9 case with prejudice in order to bar UPitt’s claims against Varian forever. Varian explained in
10 Section III.C.3.a of its opening brief that “[a] dismissal that is specifically rendered ‘with
11 prejudice’ qualifies as an adjudication on the merits and thus carries preclusive effect.” *Gimenez*
12 *v. Morgan Stanley D.W., Inc.*, 202 Fed. Appx. 583, 2006 U.S. App. LEXIS 25561, at *3 (3d Cir.
13 2006); *see also* Varian’s Opening Brief at 9-10 & fns. 12-13 (quoting *Gimenez* and discussing
14 other cases with similar holdings); *see also Adolph Coors Co. v. Sickler*, 608 F. Supp. 1417, 1432
15 (C.D. Cal. 1985) (“Traditional rules of res judicata allow judges to control the preclusive effects
16 of their decisions.”). In its opposition, UPitt did not discuss or contest the applicability of any of
17 the case law cited in that section of Varian’s opening brief.

18 **2. UPitt Has Appealed the Dismissal With Prejudice in the Prior Action**
19 **to the Federal Circuit and Should Not Be Permitted to Raise the Same**
20 **Challenge to the Prior Judgment in This Action**

21 UPitt is asking this court to find that the dismissal with prejudice in the prior case was
22 “improvidently granted.” *See* UPitt Opp. Brf. At 2. However, it is not the function of a district
23 court to evaluate whether the rulings of other district courts are correct. That is the function of
24 appellate courts. UPitt has appealed from the judgment in the Pennsylvania case, *see* RJN, Ex. Q,
25 and it therefore has the opportunity to challenge the Pennsylvania Court’s decision to dismiss the
26

27 ² “Reply RJN” refers to the Reply Request for Judicial Notice in Support of Defendant Varian
28 Medical Systems, Inc.’s Motion to Dismiss Plaintiff’s Claims Pursuant to Fed. R. Civ. P. 12(b)(6)
 Based on Doctrine of Res Judicata, filed herewith.

1 prior case with prejudice in that forum. Indeed, UPitt has stated its intent to do so. Accordingly,
 2 UPitt should not be permitted to raise the same challenge in this action.

3 Although UPitt characterizes its appeal as a challenge to the Pennsylvania Court's ruling
 4 that it lacked standing, *see* UPitt Opp. Brf. at 19 & fn. 8, UPitt has identified as a second issue on
 5 appeal "[w]hether the district court erred in dismissing [UPitt's] patent infringement claims with
 6 prejudice." *See* Reply RJN, Ex. B. That is the same issue UPitt is trying to raise here in order to
 7 defeat Varian's res judicata defense. However, courts routinely refuse to permit litigants to file
 8 new lawsuits as an end run around district court decisions in prior cases where those decisions
 9 could have been challenged on appeal. *See, e.g., ProtoComm Corp. v. Novell, Inc.*, 1998 U.S.
 10 Dist. LEXIS 9636, at *6-7, *29-31 (E.D. Pa. June 29, 1998) (after being denied leave to amend to
 11 assert new claims, plaintiff asserted same claims in second suit; claims were dismissed based on
 12 res judicata; plaintiff's proper remedy was to appeal from the denial of leave to amend; plaintiff
 13 "cannot now try to circumvent that decision by pursuing those same claims in this lawsuit.");
 14 *Sendi v. NCR Comten, Inc.*, 624 F. Supp. 1205, 1207 (E.D. Pa. 1986) (applying res judicata:
 15 "[T]he fact that plaintiff was denied leave to amend does not give him the right to file a second
 16 lawsuit based on the same facts. . . . Sendi's proper recourse was to appeal from the denial of his
 17 motion to amend."); *United States v. McGann*, 951 F. Supp. 372, 383 (E.D.N.Y. 1997) (same);
 18 *Magnus Elecs., Inc. v. La Republica Argentina*, 830 F.2d 1396, 1402 (7th Cir. 1987) (same).

19 UPitt's conduct raises the specter of two identical lawsuits proceeding simultaneously.
 20 That will occur if this case is allowed to proceed and the Federal Circuit reverses the dismissal of
 21 the Pennsylvania case.³ Courts strongly disapprove such parallel proceedings due to the burdens
 22 placed on the defendant and the courts and the possibility of inconsistent rulings. For example, in
 23 *Bui v. IBP, Inc.*, 205 F. Supp. 2d 1181 (D. Kan. 2002), the court found that the plaintiff's claims
 24

25
 26 ³ UPitt argues that the cases are not identical because its ownership rights are different in this case
 27 than in the Pennsylvania case. *See* UPitt Opp. Brf. at 19. However, UPitt misses the point, which
 28 is that UPitt will be asserting the same patents and requesting the same relief in each case. Thus,
 the two cases would require duplicative preparations by the parties and decisions by the court and
 raise the possibility of inconsistent rulings.

were barred by res judicata where the same claims had been dismissed in a prior case for lack of subject matter jurisdiction. The court explained its ruling in part as follows:

The fact that plaintiff's appeal is currently pending before the Tenth Circuit also bears some weight on this [res judicata] analysis. . . . [T]he practical effect of the results of the appeal show the propriety of imposing a bar here. In the event the Tenth Circuit reverses this court's jurisdictional ruling in *Bui I*, plaintiff will obtain the identical relief he seeks through this case, i.e., plaintiff will be able to pursue his state law claim for retaliatory discharge in federal court. If no collateral estoppel effect were given to *Bui I*, defendant would then be forced to defend two identical claims in the same forum, giving rise to the possibility of inconsistent judgments. Conversely, in the event the Tenth Circuit affirms the dismissal for lack of jurisdiction, it would be unfair to permit plaintiff another bite at the apple"

Id. at 1189 (paragraph break omitted). These observations are equally true here. *Cf. Reiffin v. Microsoft Corp.*, 104 F. Supp. 2d 48, 55 (D.D.C. 2000) (granting motion to transfer in part because: "Should the Federal Circuit vacate the Northern District's decision and remand to the Northern District, and this court declined to transfer the instant action to that court, [plaintiff] would have closely related claims pending in two different districts at once.").

3. The Pennsylvania Case Was Properly Dismissed With Prejudice, Thus Barring This Identical Action, Because the Basis for the Dismissal Was UPitt's Lack of Diligence, Failure to Comply With a Court Order, and Inconsistent Positions and the Resulting Prejudice to Varian

UPitt's opposition is based on misstating the reasons behind the dismissal with prejudice in the Pennsylvania case and misapplying the law of res judicata. The Pennsylvania Court did not merely find that UPitt lacked standing. That defect could have been addressed by adding CMU as a party and continuing with the case. Rather, it found that UPitt knew it should have added CMU as a party at the start of the case and failed to do so for "tactical" reasons, despite a court order mandating joinder of all parties by a set date, with resulting prejudice to Varian. In order to uphold the principles that led to the dismissal in the first place, that dismissal must be given res judicata effect. UPitt cannot be permitted to "cure" the standing defect now in a separate action when it had the duty and opportunity to do so in a timely way in the prior action.

a. Applying the Res Judicata Doctrine to Bar This Action Is Consistent with Rule 41(b)

UPitt relies heavily on Fed. R. Civ. P. 41(b) to argue that res judicata does not apply here. However, Rule 41(b) does not define the scope of the res judicata doctrine. It merely defines the

1 effect of dismissals that do not specify whether they are with or without prejudice. Here, the
 2 Pennsylvania Court's dismissal states that it is "with prejudice," so Rule 41(b) does not determine
 3 its effect. Although the doctrine of res judicata is consistent with Rule 41(b) in many ways, it is
 4 more nuanced and case-specific. Moreover, barring UPitt's claims here is consistent with Rule
 5 41(b) because the dismissal in the prior case was not based on failure to join a party under Rule
 6 19 or lack of jurisdiction, but on UPitt's lack of diligence, failure to comply with a court order,
 7 inconsistent positions, and prejudice to Varian.

8 **(1) Rule 41(b) Does Not Define the Scope of Res Judicata**

9 UPitt incorrectly asserts that "Rule 41(b) excludes dismissals for failure to join a party or
 10 for lack of jurisdiction from being adjudications on the merits" *See* UPitt Opp. Brf. at 8; *see*
 11 *also id.* at 5. In fact, the rule does not apply here at all because it only governs dismissals that are
 12 silent as to whether they are with or without prejudice. "Rule 41(b) sets forth nothing more than a
 13 default rule for determining the import of a dismissal (a dismissal is 'upon the merits,' with the
 14 three stated exceptions, unless the court 'otherwise specifies.')." *Semtek Int'l Inc. v. Lockheed*
 15 *Martin Corp.*, 531 U.S. 497, 503, 121 S. Ct. 1021, 1025 (2001). Here, the dismissal order states
 16 that it is "with prejudice." *See* RJN, Ex. P. Therefore, Rule 41(b) does not apply.

17 Moreover, Rule 41(b) does not even define the res judicata effect of dismissal orders to
 18 which it applies. It merely specifies that certain dismissals "operate[] as an adjudication on the
 19 merits," while others do not. *See* Fed. R. Civ. P. 41(b). Whether a dismissal is "on the merits" is
 20 a different question from whether it has claim preclusive effect. *See Semtek*, 531 U.S. at 503, 121
 21 S. Ct. at 1025. Rule 41(b) "would be a highly peculiar context in which to announce a federally
 22 prescribed rule on the complex question of claim preclusion" *Id.* Rather, the scope of the
 23 res judicata doctrine in federal question cases is prescribed by federal common law. *E.g. Taylor*
 24 *v. Sturgell*, ___ U.S. ___, 126 S. Ct. 2161, 2171 (2008).

25 The doctrine of res judicata does not lend itself to absolutes and bright lines as UPitt
 26 wants the Court to believe. For example, while UPitt cites cases stating a "rule" that res judicata
 27 applies only when a court passes on the substance of a claim, many other cases recognize that res
 28 judicata may apply "regardless of whether the dismissal results from procedural error or from the

1 court's considered examination of the plaintiff's substantive claims." *See In re Schimmels*, 127
 2 F.3d 875, 884 (9th Cir. 1997); *see also infra* at 14. Thus, it is often necessary to examine the
 3 policies underlying the doctrine of res judicata to determine whether it applies in a particular case.
 4 *See, e.g., Marin v. Hew, Health Care Fin. Agency*, 769 F.2d 590, 593-94 (9th Cir. 1985);
 5 *American Nat'l Bank & Trust Co. v. City of Chicago*, 826 F.2d 1547, 1551-53 (7th Cir. 1987).

6 **(2) This Action Would Be Barred by Res Judicata Even If**
 7 **Rule 41(b) Did Apply**

8 Even if Rule 41(b) did apply here, UPitt's action would be barred because the prior case
 9 was dismissed based on UPitt's failure to join CMU in a timely way as required by the Federal
 10 Rules of Civil Procedure and the Pennsylvania Court's Case Management Order.

11 The first sentence of Rule 41(b) provides that "[i]f the plaintiff fails . . . to comply with
 12 these rules or a court order, a defendant may move to dismiss the action or any claim against it."
 13 Under the express terms of the rule, such a dismissal always operates as an adjudication on the
 14 merits; it is not subject to the exceptions that apply to "any dismissal not under this rule." The
 15 dismissal of UPitt's case by the Pennsylvania Court is such a dismissal because it was based on
 16 UPitt's failure to comply with a provision in the Case Management Order that set a deadline for
 17 adding parties.⁴ *See supra* at 3-4. Dismissals for failure to comply with a court order under Rule
 18 41(b) typically involve the additional elements of willful delay by the plaintiff and/or prejudice to
 19 the defendant. *See generally* 9 Wright & Miller, *Federal Practice and Procedure* § 2369 (3d ed.
 20 2008). The Pennsylvania Court found that those elements were present here. *See supra* at 3-4.
 21 Thus, the dismissal would be deemed "on the merits" under Rule 41(b).⁵

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 24 ⁴ UPitt blatantly mischaracterizes the court's Case Management Order, entered as required by
 Fed. R. Civ. P. 16(b), as a "local rule for adding new parties." *See* UPitt Opp. Brf. at 9.

25 ⁵ UPitt argues that the Pennsylvania Court's denial of Varian's Rule 11 motion indicates that the
 26 Pennsylvania Court did not intend to dismiss the prior case as a sanction for UPitt's misconduct.
 27 *See* UPitt Opp. Brf. at 16. However, that conclusion does not follow. Rule 11 only addresses
 28 sanctions for submitting a paper to a court without adequately investigating the factual and legal
 basis for the paper, making frivolous arguments in a paper, or submitting a paper for purposes of
 harassment. *See* Fed. R. Civ. P. 11(b). It does not address dismissal as a sanction for violation of
 a court order. *See id.*

UPitt argues that the dismissal should have been without prejudice because it was “for . . . failure to join a party under Rule 19.” *See* UPitt Opp. Brf. at 5 (citing Fed. R. Civ. P. 41(b)). However, that was not the basis for the dismissal. As UPitt notes elsewhere, a court can dismiss an action under Rule 19 only “[i]f a person who is required to be joined . . . cannot be joined.” *See id.* at 3 (quoting Fed. R. Civ. P. 19(b)). Here, CMU could have been joined in the prior case because it was within the Pennsylvania Court’s jurisdiction and was willing to be joined. *See supra* at 3 fn. 1. The Pennsylvania Court did not dismiss the action because CMU could not be joined, but because of UPitt’s misconduct as discussed in the preceding paragraph.

UPitt also argues that the dismissal was “for lack of jurisdiction” within the meaning of Rule 41(b) because it was based on UPitt’s lack of standing. However, UPitt’s lack of standing does not explain the decision to dismiss the prior case with prejudice. In the absence of other factors, the Pennsylvania Court would undoubtedly have permitted UPitt to add CMU as a party as recommended by the special master and permitted by applicable law. *See supra* at 3 & fn. 1. It is the Pennsylvania Court’s findings regarding UPitt’s delay, its failure to comply with the Case Management Order, its prior insistence on strict compliance with deadlines, and prejudice to Varian that explain the dismissal with prejudice. *See supra* at 3-4. Significantly, that court did not itself characterize its dismissal as one for lack of jurisdiction. *See* RJN, Ex. H. Furthermore, UPitt acknowledges that the defect in this case merely involved “prudential” standing and that there is a circuit split on the issue of whether prudential standing is deemed jurisdictional. *See* UPitt Opp. Brf. at 7 & fn. 1. Both the Third and Ninth Circuits are among the courts that hold prudential standing is *not* jurisdictional. *See Board of Natural Resources v. Brown*, 992 F.2d 937, 946 (9th Cir. 1993); *Elkin v. Fauver*, 969 F.2d 48, 52 n.1 (3d Cir. 1992). Consequently, that rule applies here because the Federal Circuit applies the law of the regional circuit where the district court sits when it decides issues of subject matter jurisdiction or res judicata. *Toxgon Corp. v. BNFL, Inc.*, 312 F.3d 1379, 1380-81 (Fed. Cir. 2002) (subject matter jurisdiction); *Acumed LLC v. Stryker Corp.*, 525 F.3d 1319, 1323 (Fed. Cir. 2008) (res judicata).⁶

⁶ The Federal Circuit will apply its own law if the res judicata issue is “peculiar to patent law,” such as where it requires determining whether two infringement claims are identical. *Acumed*,

1 The cases that UPitt cites in support of its Rule 41(b) argument are inapplicable here. For
 2 example, UPitt cites *Trujillo v. Colorado*, 649 F.2d 823 (10th Cir. 1981). There, the plaintiff's
 3 complaint was dismissed for failure to include proper parties, with leave to amend. The plaintiff
 4 did not amend and a final dismissal was entered. When the plaintiff later re-filed the action with
 5 the proper parties, the district court found it barred by res judicata because the plaintiff had not
 6 complied with the order permitting leave to amend. The Tenth Circuit reversed, holding that the
 7 dismissal was actually based on failure to join proper parties and not disobedience of a court
 8 order. "Had the District Judge intended what he wrote literally—that the action was being
 9 dismissed because the March order had been 'disobeyed'—he would have been guilty of an abuse
 10 of his Rule 41(b) discretion to dismiss." *Id.* at 825.

11 That is the key point of distinction between *Trujillo* and the present case: in *Trujillo*, the
 12 facts did not support dismissal with prejudice. There was no showing of undue delay, as the final
 13 dismissal occurred just four months after the case was filed. *See id.* at 824. Nor was there a
 14 finding of prejudice to the defendants. Finally, there was no showing of willfulness or bad faith
 15 by the plaintiff. By contrast, these factors *were* present in the Pennsylvania case. *See supra* at 3-
 16 4. The *Trujillo* court specifically noted that dismissal for disobedience of a court order *may* be
 17 granted in some cases. *See id.* at 825. Indeed, many cases have upheld dismissals with prejudice
 18 under Rule 41(b) for failure to amend a complaint within the time frame established by the court.
 19 *See, e.g., Yourish v. California Amplifier*, 191 F.3d 983, 989-92 (9th Cir. 1999).

20 Other significant differences between *Trujillo* and the present case are the facts that (1)
 21 the dismissal in *Trujillo* did not specify that it was with prejudice, and (2) *Trujillo* was decided
 22 before the 1983 amendment of Rule 16(b), which added a provision *requiring* that scheduling
 23 orders include a deadline for adding parties. *See Fed. R. Civ. P. 16(b)(3)(A) & Adv. Comm.*
 24 *Notes*. That amendment highlights the importance of timely joinder of necessary parties. It also
 25 means that a plaintiff who wants to add a party after the court-ordered deadline must now meet

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 27
 28 525 F.3d at 1323. Here, there is no dispute that UPitt's claims are identical in the two actions,
 and the issue of whether the prior dismissal was "on the merits" is not peculiar to patent law.

the “good cause” standard of Rule 16(b)(4), which requires a showing of diligence by the moving party and a lack of prejudice to the opposing party. *See Componentone, L.L.C. v. Componentart, Inc.*, 2007 WL 2580635, at *1-*2 (W.D. Pa. Aug. 16, 2007); *Hynix Semiconductor Inc. v. Rambus Inc.*, ___ F.R.D. ___, 2008 WL 687252, at *4-*5 & n.6 (N.D. Cal. Mar. 10, 2008). The Rule 16(b) “good cause” requirement applies even when the party to be added after the deadline is deemed a necessary party under Rule 19. *See Northeast Drilling, Inc. v. Inner Space Servs., Inc.*, 243 F.3d 25, 36-37 (1st Cir. 2001); *Gil Enters., Inc. v. Delvy*, 79 F.3d 241, 247-48 (2d Cir. 1996).

UPitt also cites *Mann v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 488 F.2d 75 (5th Cir. 1973). The facts in that case were virtually identical to those in *Trujillo*, in that the case was dismissed a few months after it was filed and the plaintiff failed to amend on time. There was no showing of undue delay, willfulness, bad faith, prejudice, or other circumstances justifying dismissal with prejudice, and thus it was held to be error when the first dismissal was given res judicata effect. *See id.* at 76. Therefore, all of the comments in the preceding paragraphs about why *Trujillo* is poor precedent for this case apply equally to *Mann*.

b. UPitt Has Not Cured—and Cannot Cure—the Defects From the Prior Case Because It Cannot Undo Its Misconduct or the Resulting Prejudice to Varian

UPitt argues at length in its opposition brief that res judicata does not apply because UPitt “cured” the standing defect in the prior case. However, UPitt had the duty and the opportunity to “cure” the defect much earlier by joining CMU as a party at the inception of the Pennsylvania case. The Pennsylvania Court held that UPitt failed to do so for “tactical” reasons, and that its unreasonable delay violated a court order and caused prejudice to Varian. UPitt cannot reverse its wrongdoing or undo the consequences thereof, and it therefore cannot implement a true cure.

The principle at work here was expressed well in another context as follows: “if timely action by appellants would have ‘secured them access to a federal adjudication on the merits of their state claim,’ then the claim should be barred by res judicata.” *Adolph Coors Co. v. Sickler*, 608 F. Supp. 1417, 1433 (C.D. Cal. 1985) (quoting *Boccardo v. Safeway Stores, Inc.*, 134 Cal. App. 3d 1037, 184 Cal. Rptr. 903 (1982)). The *Coors* court relied on this principle to foreclose the plaintiff from pursuing a claim that the plaintiff had been denied leave to add in a prior case

1 due to untimeliness. *See id.* A similar result was reached in *American Nat'l Bank & Trust Co.*,
 2 826 F.2d at 1551-53. There, a first case was dismissed on grounds that under Illinois law were
 3 deemed "jurisdictional." The court concluded that the "jurisdictional" label did not conclusively
 4 determine the dismissal's res judicata impact. *See id.* at 1552-53. More pertinent was the fact
 5 that the plaintiff "had an *opportunity* to receive an adjudication from that court. That he bollixed
 6 his opportunity by . . . failing to prosecute it properly does not justify exposing the defendant to
 7 another round." *Id.* at 1553 (emphasis in original). The principle espoused in these cases has
 8 equal application here, because timely action by UPitt to add CMU as a party in the prior case
 9 would have enabled it to obtain a ruling on the substance of its infringement claims in that court.

10 On page 1 of its opposition brief, UPitt cites *Segal v. AT & T Co.*, 606 F.2d 842 (9th Cir.
 11 1979), for the proposition that "filing a new claim after the barrier to suit no longer exists is not
 12 prohibited." However, in *Segal* there was no finding of fault by the plaintiff in failing to clear the
 13 barrier in the prior case. *See id.* at 844-46. Moreover, there is no indication in the opinion that
 14 the district court in the prior case had entered a dismissal "with prejudice"; to the contrary, the
 15 dismissal "was not intended to end litigation between the parties; rather, the intent was to permit
 16 the litigation to continue in another forum." *Id.* at 846. Here, by contrast, the Pennsylvania Court
 17 *did* intend to foreclose future litigation between the parties and signaled that intent by dismissing
 18 UPitt's claims with prejudice in its well-reasoned order. *See supra* at 2-5.

19 UPitt also cites *Lowe v. United States*, 79 Fed. Cl. 218 (2007), for the proposition that a
 20 new action may be filed "[i]f the alleged 'cure' is sufficient to repair the prior jurisdictional
 21 defect." As in *Segal*, it does not appear that the initial dismissal in *Lowe* was designated "with
 22 prejudice," and the court did not find that the grounds for dismissal were due to dilatoriness or
 23 other wrongdoing by the plaintiff. *See id.* at 221-22, 227-31. The court thus was able to rely on
 24 the rule that a dismissal for lack of subject matter jurisdiction does not operate as an adjudication
 25 on the merits "[u]nless the judgment ordering dismissal specifies otherwise" *See id.* at 229.

26 Under the facts of the present case, this Court should find that UPitt's purported "cure"
 27 both comes too late and is incomplete. UPitt cannot undo its prior wrongful conduct, and it
 28 cannot cure the harm caused to Varian by having to spend a year litigating against UPitt's patent

1 infringement claims in the absence of a necessary party and under false pretenses. Therefore, it
 2 was proper to dismiss the prior case “with prejudice” and res judicata applies.⁷

3 **c. The Policies Underlying Res Judicata and Rule 16(b) Support**
 4 **Dismissal of This Action**

5 UPitt takes pains to distinguish many of Varian’s cited cases on the facts in support of its
 6 argument that they are inapposite. However, UPitt’s approach ignores the underlying policies
 7 that ultimately must be examined to determine whether res judicata properly applies in a given
 8 case. By now, Varian’s position should be clear that it would violate the policies underlying the
 9 res judicata doctrine and Rule 16(b) if UPitt were allowed to misrepresent the extent of its patent
 10 rights and flaunt the Pennsylvania Court’s scheduling order, causing prejudice to Varian, with no
 11 consequence other than having to re-file its claims in a new court.

12 UPitt argues that Varian cited no case in which res judicata applied despite the lack of a
 13 ruling on the substance of the plaintiff’s claim. *See* UPitt Opp. Brf. at 5, 18. UPitt apparently
 14 neglected to read pages 10 and 13-16 of Varian’s opening brief, where Varian cited numerous
 15 cases in which the plaintiff’s procedural failings in a first case justified preclusion of its claims in
 16 a second case despite no ruling on the substance. *See also* 18 A Wright, Miller & Cooper,
 17 *Federal Practice and Procedure* § 4435, at p. 134 (2d ed. 2002) (“Thus it is clear that an entire
 18 claim may be precluded by a judgment that does not rest on any examination whatever of the
 19 substantive rights asserted.”). UPitt also argues that certain cases cited by Varian do not apply
 20 here because they involved the invocation of res judicata following denial of a motion for leave to
 21 add claims, not parties. *See* UPitt Opp. Brf. at 10. However, the underlying principle is the same.
 22 Where a plaintiff is foreclosed from adding a claim or party in a first case based on elements of
 23 delay and prejudice, the plaintiff may not re-file its claims in a second action. *See* Varian’s
 24 Opening Brf. at 10, 13-16 (citing and discussing cases); *see also* 18A Wright, Miller & Cooper,
 25 *supra* § 4435, at p. 145 (if failure to satisfy a particular precondition should not always operate as
 26 an adjudication on the merits of the claim, “it should nonetheless remain open to the court to

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 28 ⁷ UPitt argues Varian has not identified its prejudice, but the Pennsylvania Court already made a
 finding of prejudice that is not subject to challenge in these proceedings. *See supra* at 3.

1 protect the defendant who has had to incur the burden of preparing a defense by specifying that a
 2 particular dismissal is with prejudice”).

3 **d. UPitt May Not Reargue Whether It Had Standing in the**
 4 **Pennsylvania Case**

5 UPitt spends an inordinate portion of its opposition arguing that, despite the conclusive
 6 ruling of the Pennsylvania Court, it has always had full “legal title” to the patents-in-suit and thus
 7 had standing to sue in the prior case. *See* UPitt Opp. Brf. at 15-17. However, that issue was
 8 conclusively decided in Varian’s favor, *see* RJN, Exs. H, P, and as usual UPitt’s arguments are
 9 based on ignoring or misconstruing key facts. Varian will simply point out what it successfully
 10 argued at length to the Pennsylvania Court: although the inventors executed assignments of the
 11 patents-in-suit in favor of UPitt, UPitt transferred partial ownership to CMU by way of separate
 12 written agreements providing that jointly developed intellectual property “shall be owned jointly”
 13 by UPitt and CMU. *See* RJN, Ex. G at 3. UPitt’s meaningless distinction between “legal title”
 14 and “ownership” and its attempt to dismiss the binding agreements as mere “policy documents”
 15 are unavailing. *See* UPitt Opp. Brf. at 16. The Pennsylvania Court rejected such arguments and
 16 the matter is now a question for the Federal Circuit.

17 Varian also takes issue with UPitt’s suggestion that Varian is an infringer who will be
 18 allowed to continue engaging in wrongful acts if this action is dismissed. *See* UPitt Opp. Brf. at
 19 17. Varian has substantial defenses of non-infringement, invalidity, and inequitable conduct that
 20 it believes would defeat UPitt’s claims were the case to go forward. However, Varian has already
 21 borne the burden of full fact discovery and claim construction proceedings on those claims in the
 22 Pennsylvania case because UPitt was not forthcoming with the facts regarding ownership of the
 23 patents-in-suit, thus delaying resolution of the standing issue. The effect of the dismissal in the
 24 Pennsylvania case is to spare Varian from having to defend itself again given that the dismissal of
 25 the first action was due to UPitt’s procedural misconduct.

26 **III. CONCLUSION**

27 The dismissal of the Pennsylvania case with prejudice has res judicata effect here because
 28 it was based not merely on UPitt’s lack of standing but on UPitt’s failure to take steps available to

1 it to cure that defect in a timely way in the prior action, in violation of a court order and with
2 resulting prejudice to Varian. Accordingly, Varian respectfully requests that the Court grant its
3 Motion to Dismiss without leave to amend.

4 Dated: August 22, 2008

ORRICK, HERRINGTON & SUTCLIFFE LLP

5
6 By: /s/ Matthew H. Poppe
7 Matthew H. Poppe
8 Attorneys for Defendant Varian Medical
9 Systems, Inc.
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of DEFENDANT VARIAN MEDICAL SYSTEMS, INC.'S REPLY MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION TO DISMISS PLAINTIFF'S CLAIMS PURSUANT TO FED. R. CIV. P. 12(B)(6) BASED ON DOCTRINE OF RES JUDICATA was served upon the University of Pittsburgh, through its counsel, via:

_____	Hand-Delivery
_____	Facsimile
_____	First Class, US Mail, Postage Prepaid
_____	Certified Mail-Return Receipt Requested
<u> X </u>	ECF Electronic Service
_____	Overnight Delivery

at the following addresses:

Rita E. Tautkus
Morgan Lewis & Bockius, LLP
One Market – Spear Street Tower
San Francisco, CA 94105
rtautkus@morganlewis.com

Dated: August 22, 2008

/s/ Matthew H. Poppe
Matthew H. Poppe

OHS West:260494153.1